

MEMORANDUM FOR: DCI

You may find the attached articles interesting and useful. The first outlines Reagan's views on Intelligence. The ~~2nd~~ deals with Reagan's relationship with 20th Century Fox.

In the past several months, the LA Times has carried little on the CIA, nothing controversial.

Date

12 July 1980

■ PUTTING THE C.I.A. 'RIGHT'

Reagan's Plans
For Intelligence

JEFF STEIN

An extraordinary reorganization of U.S. intelligence is in the works if Ronald Reagan is elected President next November. The Reagan blueprint was drawn up by a special intelligence subcommittee of the Republican National Committee in August 1979, but heretofore seems to have escaped detailed attention from the press.

The twelve-page plan, authored by a group of former Central Intelligence Agency officials and military men under the direction of Richard Allen, the Republican candidate's chief foreign policy adviser, appears designed to demote the role of the C.I.A. in strategic intelligence analysis; in favor of the military, and contains a key provision creating a special, independent agency for "counter-intelligence and counter-terrorism."

"The need for a comprehensive intelligence charter," the policy paper concludes, "geared not only to present realities, but also to our future national security requirements, dictates that we go back to the drawing board and start anew."

Some of the Allen-Reagan proposals, such as the notion

of reducing Congressional oversight of the intelligence community to one joint House-Senate committee, parallel Carter Administration proposals. And the Republicans' contentions that there is "confusion and uncertainty about the reliability of the intelligence community's products" and that there is an "overall loss of public confidence, at all levels, in the intelligence community" seem reasonable. But other Reagan proposals reflect the stab-in-the-back mentality of the right wing that has gained momentum in the past two years, notably that the Church Committee findings and Carter-era efforts at reform were "drawn up by a small group of people who seem more bent on an old anti-C.I.A. crusade than in creating an effective intelligence community." Or as retired C.I.A. official Osborne Day, one of the eight members of Allen's intelligence team, told me with disgust in an interview: "Frank Church—when you talk to Frank Church, you might as well be talking directly to the K.G.B. And you can quote me on that."

Herewith the highlights of the Reagan intelligence-reform plan:

§ *Domestic spying.* The plans call for creation of joint C.I.A.-F.B.I. file-keeping on "counter-intelligence and counter-terrorism" in a special section to be created in the Justice Department or in some new independent agency. "Here," the policy paper proposes, "joint teams of officers from both the domestic and foreign intelligence services would lawfully look at the same data."

§ *Checks on the C.I.A.* Right-wingers have always been suspicious of "liberal bias" among C.I.A. analysts who count Russian missiles. To correct that, Allen's team proposed strengthening the role of the Defense Intelligence Agency as a source of "alternative analysis," as well as bringing back the "wise old men" of the Foreign Intelligence Advisory Board or a similar organization to further checkmate the C.I.A.

§ *More covert action.* "The clandestine services have been of inestimable value to our national security," it is contended. "They have performed some of the most important of C.I.A.'s unique functions, and they should be strengthened." To accomplish this, Reagan would create a combined information-collection and counterintelligence agency, to be known as the "Foreign Operations Service," which would be "wholly clandestine."

§ *Mobilize the entire government for intelligence.* The new Foreign Operations Service would have at its disposal every Federal agency, "required to furnish . . . full credentials, working assignments abroad for purposes of 'cover,' and full cooperation." Peace Corps please copy.

§ *Weaken the Freedom of Information Act and the Privacy Acts.* They have had "a definite adverse impact on how law enforcement and intelligence agencies operate, fulfill their responsibilities and protect their own security," the paper states. There has been "grotesque abuse," permitting individuals to stonewall investigators while tying up bureaucrats' valuable time answering information requests on how tax money is spent. The Reagan team proposes only that the acts be subject to "revision and tightening."

§ *Immunity for corporations helping the intelligence*

agencies. Say an I.B.M. executive in Latin America is kidnapped by a revolutionary group and charged with being a C.I.A. agent. Let us further assume that he had been volunteered by his boss for a C.I.A. mission. He is killed. His family finds out he was on an intelligence mission and sues. Under the Reagan plan, new laws will provide private companies immunity "in connection with any lawsuit directed against them for permitting intelligence officers to use their activities as 'cover.'" One might suppose this would obtain for breaking and entering on a "legitimate" national security mission as well.

§ *Intelligence czar.* The Reagan team would like to create the position of the President's "chief adviser for intelligence matters, who would serve at *his* [my emphasis] pleasure and should communicate the President's priorities to the intelligence community. He should present to the Congress the President's views of the community's needs," the paper adds, "and should be the community's *sole* [their emphasis] contact with the news media."

In short, it appears that on Reagan and Company's "drawing board" are a number of new wings and annexes to the present intelligence structure—not to mention some secret passageways, to which only the master of the house has the key. Of course, Reagan will need the cooperation of Congress for this ambitious plan. But then the Reagan team wouldn't stake their reorganization plan on the whims of the present Congressional committee systems. They want to create the special joint intelligence committee first. From

Nation

Reagan's Money Machine

It keeps humming so that he can keep running

When Ronald Reagan arrived in Hollywood in 1937, he had only a few dollars in his pocket and a \$200-a-week contract with Warner Bros. In the course of making more than 50 films, Reagan earned and spent a lot of money, but ended up with relatively little saved. Yet today the presumptive G.O.P. presidential nominee is a millionaire, with a net worth of at least \$2 million and possibly as much as \$4 million.

The figure is imprecise because Reagan has shrouded his personal finances in considerable secrecy. Attempts to force him to disclose the details of his holdings have encountered such tough resistance that he has been sued by the Federal Election Commission and a similar California agency. Reagan is by no means unique in his desire to keep his personal finances confidential, and it may simply reflect his strong feelings about privacy. More important, there has been no hint of any dishonesty or illegality in his financial dealings. But his adamant refusal to disclose his finances has inevitably bred curiosity about how rich he really is and how he got that way.

Reagan has fairly simple tastes, but his affluence provides handsome rewards for his wife Nancy. She wears \$5,000 designer dresses, collects fine jewelry, paintings and antiques and keeps her hairdresser and an interior decorator on call. Reagan, by contrast, has to be prodded into buying a new suit, prefers outdoor barbecues to *haute cuisine* and drives a worn 1969 red Ford station wagon, a 1976 Monarch sedan and a decade-old Jeep. He carries little cash, usually only a few bills carefully folded into a money clip in his pocket. In fact, he once flew to Paris



The Reagans in their ranch house

He prefers barbecues to haute cuisine.

with only \$5 and was annoyed when he had to use that to tip someone.

Reagan's residences, while very comfortable, are not lavish by Southern California standards. He and Nancy live in a spacious nine-room house in Pacific Palisades, an exclusive Los Angeles enclave. For weekends they have Rancho del Cielo, their 667-acre spread near Santa Barbara, complete with four horses and 50 grazing cattle.

Reagan enjoyed no such amenities in his early days in Hollywood. He appeared in about 20 minor movies before he won his big break in 1940 as the Notre Dame football hero George Gipp in the hit *Knute Rockne—All American*. That brought Reagan stardom, and the following year, when he played in *King's Row*, Warner's tripled his salary to \$600 a week, a sub-

stantial sum in those Depression-ridden days. He celebrated by moving into a large apartment and buying a Cadillac convertible. He also fell behind in paying his income taxes. Pearl Harbor cut off Reagan's fat paychecks. As an Army Air Corps officer, he remained in Hollywood narrating training films for the Air Corps, earning only \$2,400 a year as a first lieutenant and then \$2,760 as a captain. When the war ended, the IRS began dunning him for his unpaid taxes. Reagan maintains, however, that he thought these taxes would be forgiven for soldiers as they had been in World War I.

Reagan was soon back in the big money, earning about \$150,000 a year from Warners. That catapulted him into the 95% income tax bracket. It was partly his irritation about these taxes, says one friend, that began changing him from a New Deal liberal into a conservative. After 1949 a string of box office flops sharply cut his earnings, and his film career virtually ended three years later.

Savings and occasional TV appearances got the Reagans through 14 relatively lean months until he was hired by General Electric. In addition to supervising, acting as host and at times starring in the television program *General Electric Theater*, he made speeches to the firm's employees and various civic groups. Though the terms of Reagan's employment with GE have not been disclosed, it is estimated that by 1962 he was making between \$125,000 and \$150,000 annually. In that year, however, his contract was not renewed. Not only was *General Electric Theater* dropping in the viewer ratings, but Reagan's increasingly conservative speeches were offending some of the firm's customers. After GE, Reagan took a cut in salary and became the popular host of *Death Valley Days*, a weekly TV drama of the frontier era.

Though Reagan's earnings were substantial throughout most of his show business career, his finances were often in a mess. He apparently saved little, made few investments and seemed constantly to be battling the IRS. According to a report made public during the Watergate investigation, Richard Nixon obtained confidential tax data on his political rivals in 1971. The information showed that Reagan owed \$13,101 in taxes for 1962 through 1965. This did not mean that Reagan was cheating on his taxes, only that he was disputing the IRS view of his tax liability.

Reagan had made one extremely good investment, however. In 1951, with the money from his last films, he made the down payment on a \$65,000, 290-acre ranch in Malibu Canyon. Fancying himself a rancher and being very fond of horses, he was charmed by the rugged land (some parts slope 50°) and by a meandering creek that could be dammed to form a pond from which his horses could drink. The Reagans eventually created



Aboard a Secret Service horse, the candidate prepares to roam his ranch near Santa Barbara

"One thing a cattleman never says, is how many head of cattle he has in his herd."



A forest ranger surveying Reagan's former Rancho California property

"That was remote country without neighbors whom he would have known."

the pond, built a barn and corral and dubbed it Yearling Row.

Reagan's finances might have remained perpetually chaotic if it were not for the intervention of a small group of wealthy, conservative businessmen. They were attracted to Reagan after his famous televised speech on behalf of Barry Goldwater in 1964. That speech reaped \$8 million in small contributions for Goldwater's presidential campaign and persuaded the business group that Reagan could become an important force on the political right. They became his financial managers and in some cases close personal friends. This group today consists of Harvard-educated William French Smith, who is one of the West Coast's most influential attorneys and serves as Reagan's personal lawyer; Justin Dart, the founder of Dart Industries, which last month merged with the giant Kraft, Inc.; Holmes Tuttle, a Los Angeles Ford dealer; and William A. Wilson, a California rancher and land developer. All but Tuttle are also the trustees in what became the Ronald Reagan Trust.

The funds that this financial group could invest on Reagan's behalf jumped dramatically in 1966. Just after he was elected Governor of California in that year, he sold most of his Malibu Canyon ranch to Twentieth Century-Fox Studios, which owned 2,500 acres of adjacent land, for \$1.9 million. Staggering profits in the California land boom have since become commonplace, but even by California standards Reagan's return on his original \$65,000 investment in Yearling Row was astounding. A Los Angeles County assessment appeals board eventually set a market value of \$1,459,000 on the 236 acres that Reagan had sold the film studio.

Why Twentieth Century-Fox paid about \$450,000 above market value for Yearling Row remains a mystery. While the timing of the purchase may have seemed suspicious, coming just after Reagan's election as Governor, there is no evidence that he ever granted the studio any favors. He did, however, name Harry Sokolov, a Twentieth Century-Fox executive, chairman of the California state parks and recreation board.

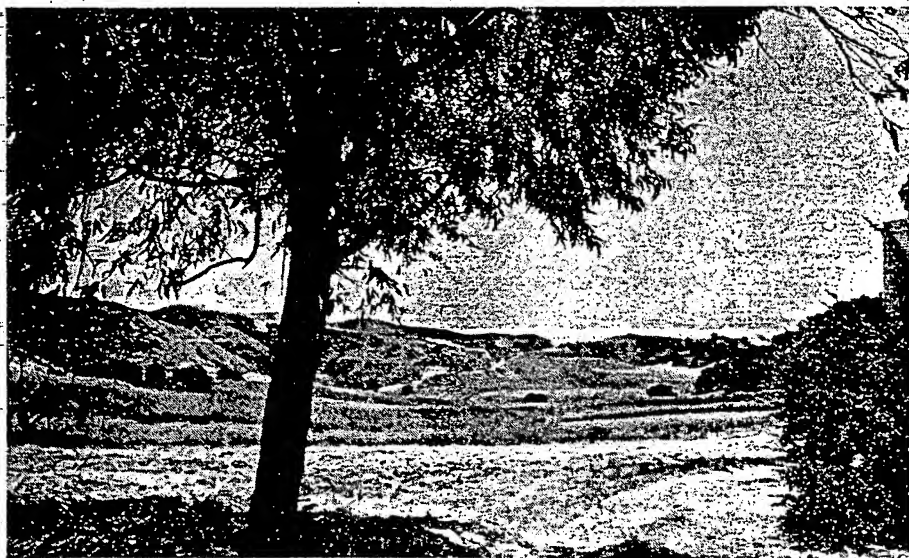
Eight years later, Twentieth Century-Fox sold its entire Malibu Canyon ranch, including both its own 2,500 acres plus the 236 acres bought from Reagan, to the State of California for \$4.5 million as park land. In this deal, Twentieth Century-Fox received much less than it had paid Reagan on a per acre basis—about \$1,800 vs. \$8,000. However, it leased back the land

from the state as a filming site for a mere \$500 a month. The charges gradually climbed, and Fox now has to pay \$700 a day whenever it uses the site. Reagan was not directly involved in the leasing deal.

Reagan's new financial counselors advised him to put most of the funds from the sale of the ranch into the Ronald Reagan Trust, a blind trust. Such a device has been used by many officials to avoid possible conflicts of interest (among them: Dwight Eisenhower, Lyndon Johnson, Jimmy Carter and Edward Kennedy). A blind trust's exact holdings are known only to the trustees, while the person who creates the trust merely receives reports about how much it is making or losing. Reagan's trust ceased being "blind" when he left office, but reverted to that original status when he became a candidate for national office in 1975 and again in 1979.

According to Trustee William French Smith, part of Reagan's money was parked in such safe havens as tax exempt bonds and U.S. Treasury notes. Greater risk was taken with the sums that went into real estate investment trusts, commonly known as REITs, and tax shelters such as cattle breeding operations. In general, REITs had a roller coaster performance during most of the 1970s and lost quite a bit of money for many investors, as did a large number of cattle breeding tax shelters.

How much Reagan made or lost on his REITs and tax shelters is unknown. Typical of his determination to keep his finances private were his comments after a 1971 disclosure that he had invested in Oppenheimer Industries, Inc., a cattle breeding tax shelter that had been investigated by Congress. Insisting that his interest in the company was small, the then Governor Reagan said that the investment had been made "mainly to give me an excuse to continue reading the cattle-men's association magazine." When reporters pressed for details about the size



Sweeping expanse of Reagan's former Malibu Canyon ranch, which is now a state park
The 290 acres that yielded astounding profits even by California's standards.